

Message Text

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SUBJECT: FLUID POWER (FPP) JEEP, FEB. 21-23, 1974

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1. SUMMARY: POST RECOMMENDS A TWO DAY JEEP ORIENTED TOWERED POTENTIAL AGENTS. VITAL NTM FIRMS NOT SIGN AGENCY AGREEMENTS BEFORE COMING TO OSAKA. APPROX. US DOLS 100-150 MILLION MARKET FOR FPP IN KANSAI. EXCELLENT AGENCY PROSPECTS. POSSIBILITY OF OFF-SITE INTERNATIONAL PAIR IN LATE 1974 IN OSAKA.

2. FLUID POWER PRODUCT (FPP) MARKET IN JAPAN HAS GROWN RAPIDLY. FROM AUGUST 1972 TO JULY 1973 SALES ARE ESTIMATED AT YEN 155 BILLION, YEN 120 BILLION FOR HYDRAULICS AND YEN 35 BILLION FOR PNEUMATICS. ASSESSMENT OF THE SIZE OF OSAKA FPP MARKET DIFFERS BETWEEN HYDRAULIC MANUFACTURERS REPORR THAT SALES IN TOKYO HAVE INCREASED AT A HIGHER RATE THAT IN OSAKA, AND THE SIZE OF OSAKA FPP MARKET IS ABOUT ONE THIRD OF THAT OF TOKYO. THEY ESTIMATE THAT JAPANESE MARKET WAY GROW AT AN ANNUAL RATE OF 15 PERCENT. PNEUMATIC MANUFACTURERS ESTIMATE THE SIZE OF OSAKA FPP MARKET OF FLUID POWER EQUIPMENT AT 70 PERCENT TO 100 PERCENT OF THE TOKYO MARKET. THEY ESTIMATE THAT THE FLUID POWER MARKET IN JAPAN MAY GROW AT A RATE OF 20-30 PERCENT ANNUALLY. THE DIFFERENCE IN OSAKA MARKET SIZE ESTIMATE PROBABLY REFLECTS THE PERCEPTION OF THE MARKET FOR THIR OWN PRODUCTS.

3. THE DECISION-MAKING FUNCTIONS FOR LARGE FIRMS IN JAPANESE

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HEAVY INDUSTRY IS MORE AND MORE BEING CENTRALIZED IN HIGHLY

SPECIALIZED RESEARCH AND DEVELOPMENT SECTION ATTACHED TO TOKYO HEADQUARTERS OR BRANCH OFFICES. ACCORDINGLY, HEAVY INDUSTRY AND BIG PROJECT APPLICATIONS OF FLUID POWER EQUIPMENT SHOULD BE PROMOTED IN TOKYO ONLY. ON THE OTHER HAND, MUCH OF THE EQUIPMENT FOR SUCH APPLICATIONS WOULD MORMALLY BE TOO LARGE AND HEAVY TO MOVE ECONOMICALLY IN INTERNATIONAL TRADE. NORMALLY, SUCH EQUIPMENT WOULD BE MANUFACTURED IN JAPAN UNDER LICENSING ARRANGEMENTS.

4. ASIDE FROM HEAVY INDUSTRY APPLICATIONS, THE REMAINDER OF THE JAPANESE FLUID POWER MANUFACTUREING MARKET IS CHARACTERIZED BY A LARGE NUMBER OF SMALL AND MEDIUM-SIZED FIRMS (PERHAPS 50 PER-CENT IN TOKYO, 35 PERCENT IN OSAKA) CAUGHT IN A DILEMMA: THE PROMISING GROWTH PROSPECTS IN THIS FIELD ARE ATTRACTING THE ATTENTION OF LARGE JAPANESE COMPANIES WHICH EITHER HAVE ALREADY OR ARE EXPECTED TO ENTER THE MARKET AS MANUFACTURERS AND SYSTEM DESIGNERS. THE SMALL AND MEDIUM-SIZED JAPANESE FIRMS DOES NOT HAVE LARGE ENOUGH SALES TO JUSTIFY LARGE R&D INVESTMENTS, SO THEY ARE BEING FORCED TO DEVELOP NARROW SPECIALIZATIONS WHICH FURTHER CONSTRICTS THEIR MARKET. THE WAY OUT OF THIS DILEMMA IS TO OBTAIN ACCESS TO THE TECHNICALLY SOPHISTICATED PRODUCTS OF AMERICAN COMPANIES. FROM THE POINT OF VIEW OF THE AMERICAN COMPANY, THE OPPORTUNITY EXISTS TO USE THE CONTACTS AND DISTRIBUTION CHANNELS OF THESE JAPANESE MANUFACTURERS TO DISTRIBUTE AMERICAN GOODS IN JAPAN ON AN EXCLUSIVE OR NON-EXCLUSIVE BASIS DEPENDING ON THE NATURE OF THE JAPANESE FIRM (AS AGENT) AND ON THE U.S. FIRM'S PREFERRED SALES APPROACH.

5. NIPPON KOGYO SHIMBUN (NKS) HAS SPONSORED THE JAPAN INTERNATIONAL FLUID POWER INTERNATIONAL EXHIBITION (JIFP) IN TOKYO EVERY TWO YEARS FOR THE PAST TWELVE YEARS. NKS IS CONSIDERING A JIEP IN OSAKA IN 1974 BUT A DECISION IS NOT LIKELY BEFORE THE END OF 1973. IF SUCH A SHOW WERE HELD, THE VALUE OF A SEPARATE U.S. JEEP IN OSAKA IN 1974 MIGHT BE IN QUESTION.

6. POST CAN ISOLATE 10 SIGNIFICANT PNEUMATIC MANUFACTURERS AND 10 TRADING COMPANIES WHO ARE POTENTIALLY GOOD DISTRIBUTORS FOR U.S. PRODUCTS. ALL CAN BE EXPECTED TO ATTEND THE TOKYO TRADE CENTER SHOW. WE WOULD EMPHASIZE TWO POINTS:
--AN OSAKA BUSINESSMAN TRAVELLING TO TOKYO TYPICALLY WILL TRY TO TAKE CARE OF A NUMBER OF ITEMS OF BUSINESS AND HIS TIME WILL BE UNCLASSIFIED

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CAREFULLY RATIONED. HE MAY NOT BE ABLE TO SPEND AS MUCH TIME AT TOKYO TRADE CENTER AS WOULD BE DESIRABLE.

--ONLY ONE OR TWO PEOPLE FROM AN OSAKA FIRM MAY GO TO THE TOKYO SHOW, BUT THE DECISION WITH RESPECT TO AN AGENCY AGREEMENT MAY INVOLVE A LARGE NUMBER OF PEOPLE, ALL OF WHOM WOULD ATTEND AN OSAKA SHOW.

WE WOULD EMPHASIZE THAT ANY COMPANY PARTICIPATING AN OSAKA JEEP SHOULD AVOID COMMITMENT TO AN EXCLUSIVE AGENT BEFORE COMING TO OSAKA, OR THE VALUE OF EXPOSURE TO CAPABLE POTENTIAL AGENTS IN OSAKA IS LOST.

7. WITH RESPECT TO END USERS, THE SALES FIGURES IN PARAGRAPH 2 WOULD SEEM TO SPEAK FOR THEMSELVES. THE NUMBER OF POTENTIAL END USERS FOR FPP IS LARGE. THE MEKUM AND SMALL FIRMS IN THE OSAKA REA ARE NOT LIKELY TO TRAVEL TO TOKYO TC FOR THE SHOW. ON THE OTHER HAND FPP ARE NOT OFF-TIME-SHELF PRODUCTS, SO OUR PROMOTION EFFORTS OUGHT NOT TO BE DIRECTED HEAVILY TOWARD END USERS FOR NTM FIRMS.

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